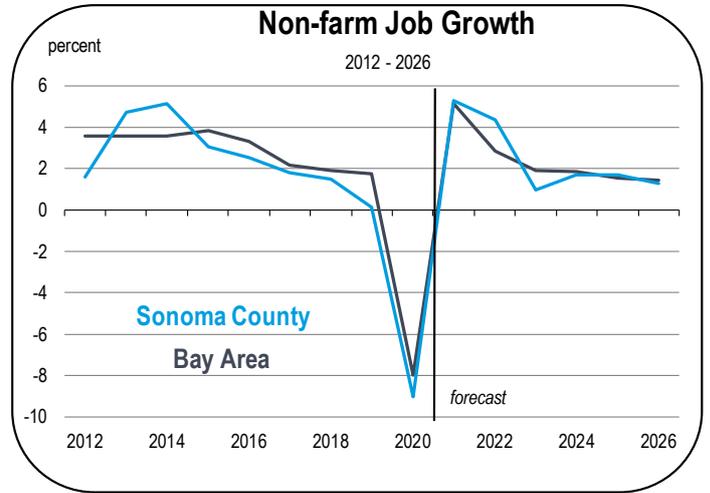


Sonoma County Economic Forecast

Forecast Summary

- On an annual average basis, 10,200 jobs will be restored in Sonoma County in 2021. A full labor market recovery is expected by 2022.
- Employment gains in 2021 will be largest in leisure services, which will recover 3,700 of the jobs that were lost in 2020. Other sectors that will rebound meaningfully in 2021 include construction, retail trade, private education and healthcare, and professional business services.
- The Sonoma County Vintners Association estimates that there are 54,000 full time employees that work in the wine industry. That number represented 25 percent of total employment in the County in 2019. The wine industry had a challenging year in 2020. Wine grape production declined by 35 percent and total revenue fell even more sharply.
- The Sonoma County unemployment rate averaged 7.9 percent in 2020. It is forecast to average 5.1 percent in 2021.
- The Sonoma County population is not expected to increase or decrease substantially during the forecast period.
- An average of 1,500 homes will be built each year over the forecast period, which is similar to the number of homes that were built during the previous five years.
- Home prices rose unexpectedly in 2020, rising by 7 percent. Prices are expected to increase by another 7 or 8 percent in 2021 and continue to appreciate rapidly in 2022.
- Homes in Sonoma County are more affordable than other parts of the Bay Area, but without sufficient housing construction, affordability becomes a potentially problematic issue over the forecast period.

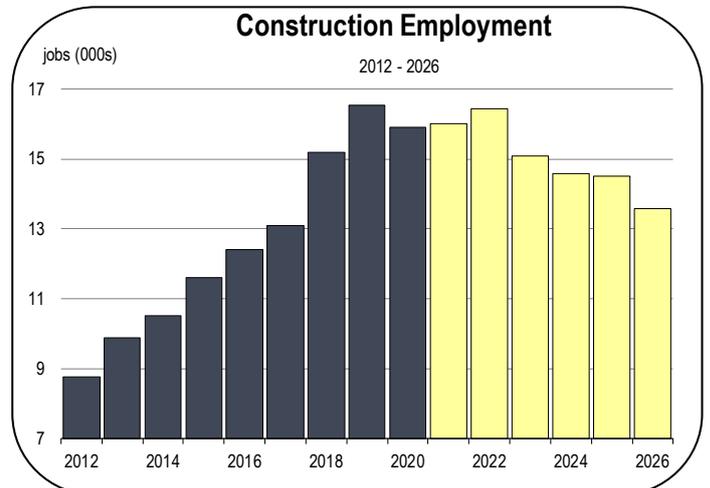
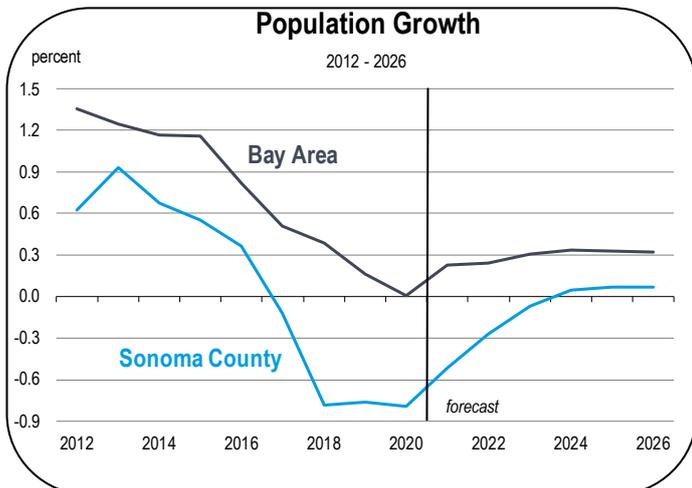


Job Growth

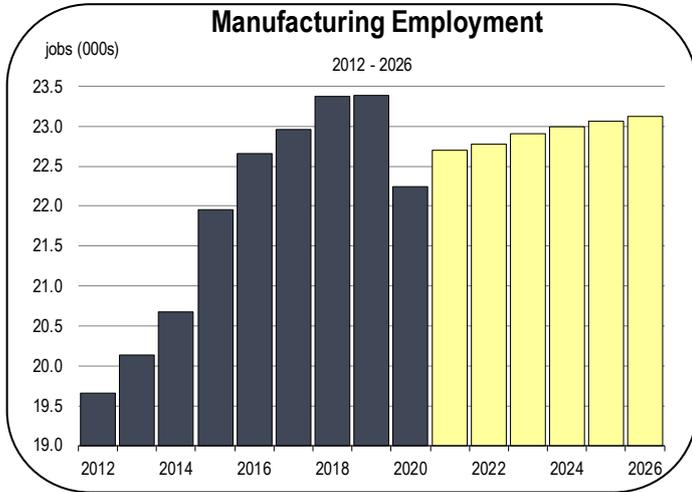
- Total employment in Sonoma County will expand by 5.2 percent in 2021 on an annual average basis.
- Between 2022 and 2026, employment growth will average 2.0 percent per year, a rate similar to the greater Bay Area labor market.

Construction Employment

- The construction sector lost only 600 in 2020.
- The restoration of jobs will be mostly complete this year, but employment in the construction sector is expected to decline over the forecast because the substantial volume of rebuilds from the 2018 fires will be mostly completed and the entitlement pipeline of new homes in the County remains austere.

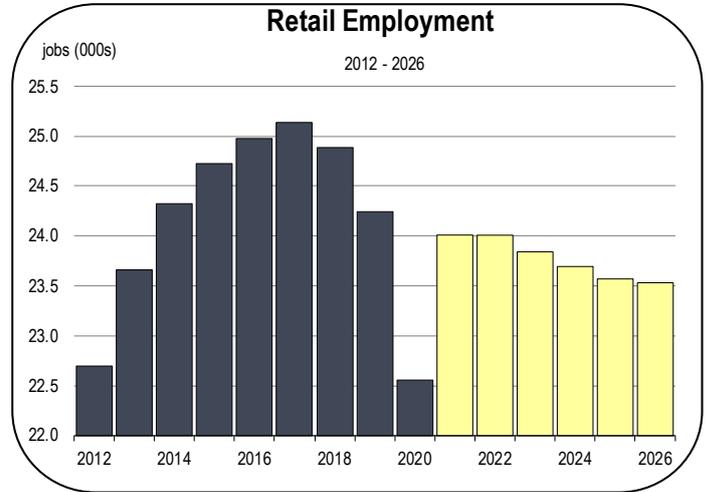


Sonoma County Economic Forecast



Manufacturing Employment

- Wineries account for 32 percent of all manufacturing jobs in Sonoma County, as wineries are considered to be in the beverage manufacturing industry.
- Wineries had an underwhelming year in 2020 when they processed only 149,000 tons of wine grapes.
- Production declined due to 1) larger than normal wine grape harvests in 2018 and 2019 and 2) the September 2020 Glass Fire which prevented the industry from operating at full capacity and which reduced harvestable grapes because of smoke taint.
- Producer prices for wine grapes also declined in 2020.
- Overall, wine grape prices declined by 20 percent across Sonoma County, with some categories like Cabernet Sauvignon falling by higher margins.

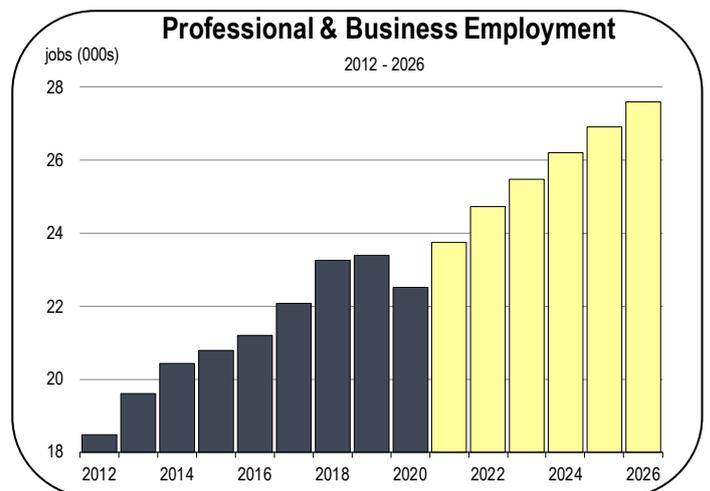
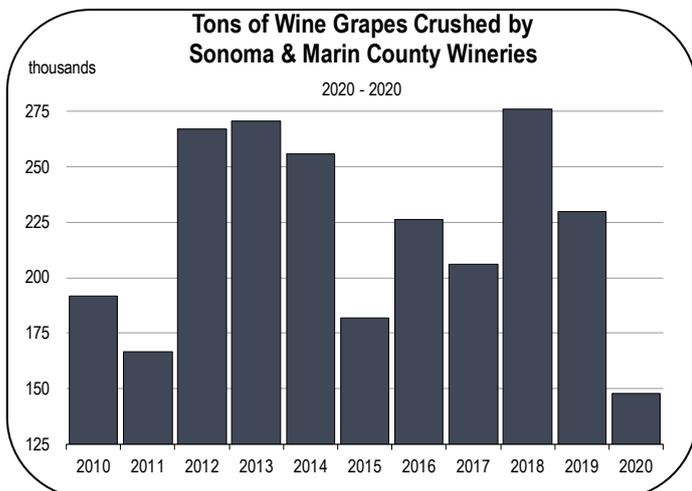


Retail Trade Employment

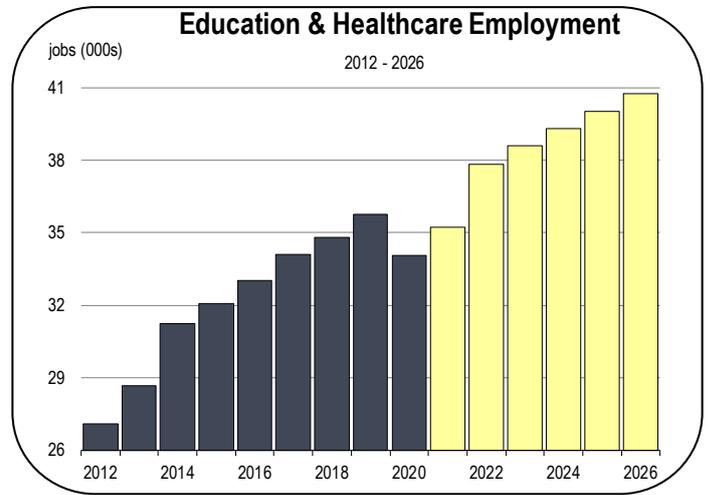
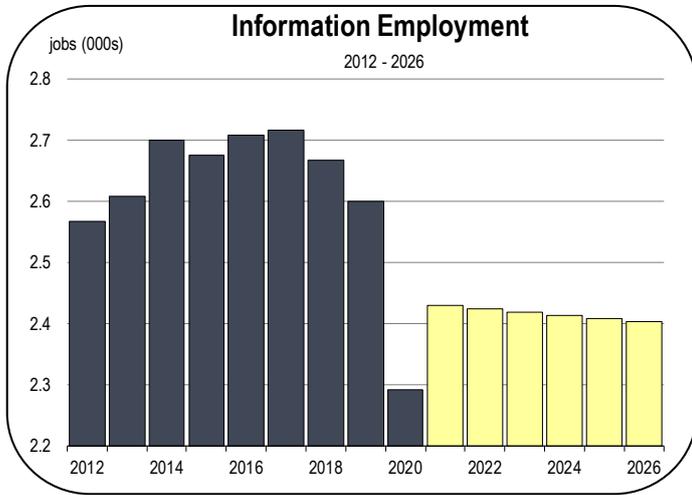
- The retail sector was decimated in 2020, declining by more than 1,700 jobs.
- Losses were largest at car dealers, clothing stores, and big box department stores. Grocery store employment expanded during 2020.
- Retail employment will rebound sharply in 2021 as storefronts open up to higher capacities, but automation and the transition to online shopping will leave local brick-and-mortar jobs vulnerable to consolidation over the forecast period.

Professional and Business Services Employment

- The professional and business services industry has a diverse array of subsectors, and each was affected differently during the recession.



Sonoma County Economic Forecast



- The largest losses were at staffing agencies, building maintenance firms, and accounting companies.
- Over the long term, growth is expected to be strongest in engineering and technology consulting.

Information Employment

- In Sonoma County, the information sector is very small and is primarily comprised of telecommunications companies and firms that publish newspapers, magazines, and books.

- The telecommunications industry is anchored by AT&T, which has 600 employees in Sonoma County.
- Most subsectors in the information industry are in long term patterns of decline. After a partial rebound in 2021, stagnation is expected in overall staffing levels.

Private Education and Healthcare Employment

- The private healthcare and education industries were characterized by large job losses in 2020.



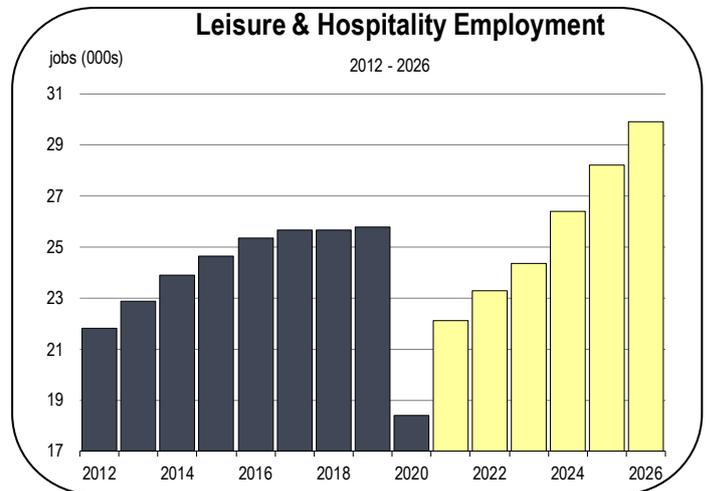
Sutter Regional Hospital employs more than 1,000 workers in Santa Rosa.

Sonoma County Economic Forecast

- Employment at hospitals and doctors offices contracted modestly. Employment at dentist offices fell sharply.
- Prominent losses also occurred at child day care centers and private schools.
- Some of the largest employers in the County are healthcare companies. Kaiser is the largest private employer in Santa Rosa with a headcount of 3,508. St. Joseph Health has 2,500 workers, and Sutter Regional Hospital has a staff of 1,050.

Leisure and Hospitality Employment

- Leisure and hospitality firms were impacted by restricted business conditions more than any other type of company.
- Tourism is a large contributor to the Sonoma County economy, and tourism was severely restricted in 2020.
- In the spring and summer months, approximately 80 percent of hotel rooms are occupied on any given day, with close to 100 percent occupied on weekends.
- In 2020, the hotel occupancy rate never exceeded 60 percent.

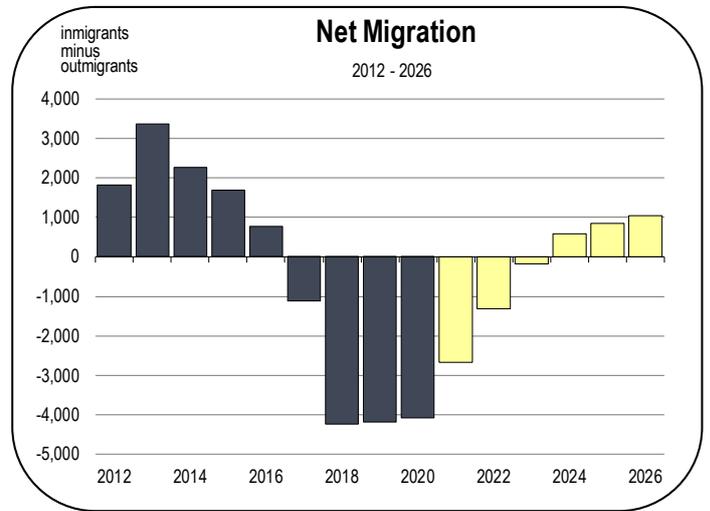
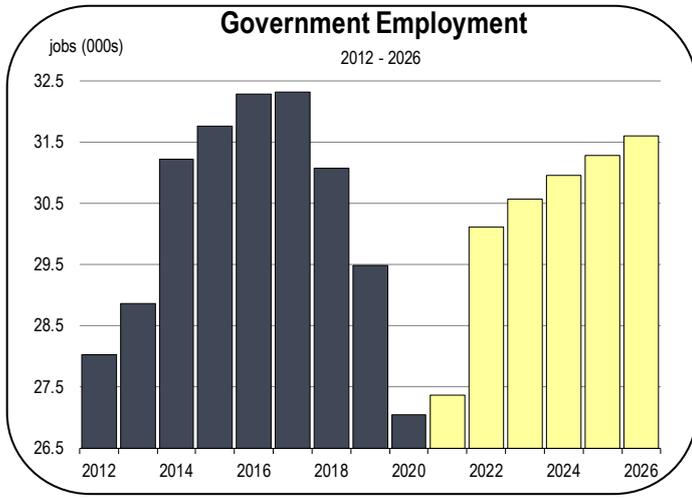


- Leisure and hospitality employment could rebound sharply in the second half of 2021 due to a surge in travel, dining, drinking, and recreation throughout Sonoma County.
- We expect the leisure and hospitality sector to regain 3,700 jobs in 2021 and another 1,200 jobs in 2022, but it could take several years for the industry to fully recover.



Wine tourism is a substantial driver of leisure and hospitality employment. After California eliminates most business restrictions, wine-related tourism in Sonoma County is expected to rebound sharply.

Sonoma County Economic Forecast



Government Employment

- State and local government agencies lost 2,600 jobs during 2020.
- Federal government agencies added a small number of jobs in 2020, but this was mainly due the Decennial Census, which creates temporary government jobs every 10 years. These Census jobs have already ended.
- Some state and local government positions will be restored in fiscal 2022 (beginning in July 2021) because city tax revenues increase, the cities and counties benefit from American Rescue Plan grants, and in-person schools recommence in the Fall of 2021.

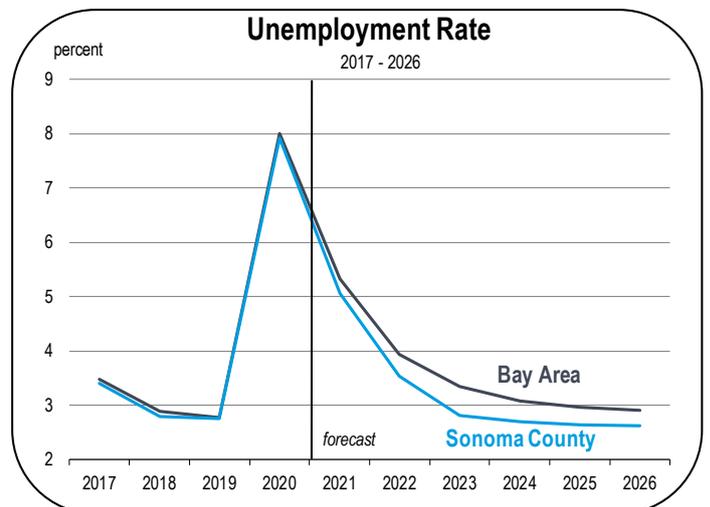
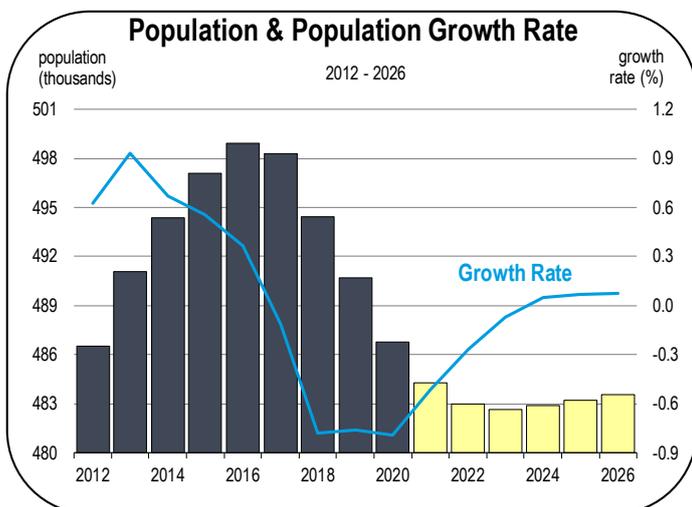
Population Growth

- More than 4,000 net migrants left Sonoma County in 2020.
- In 2018 and 2019, outmigration was driven by wildfires. In 2020 was largely a result of the Coronavirus Recession.

- The size of the Sonoma County population is not expected to change much between 2021 and 2026.
- Net migration will remain negative for a few years, but could ultimately turn positive as people move to Sonoma County for its affordable housing options.
- Sonoma County has an older population base with a low birth rate, and the number of deaths is expected to exceed the number of births, placing a drag on population growth.

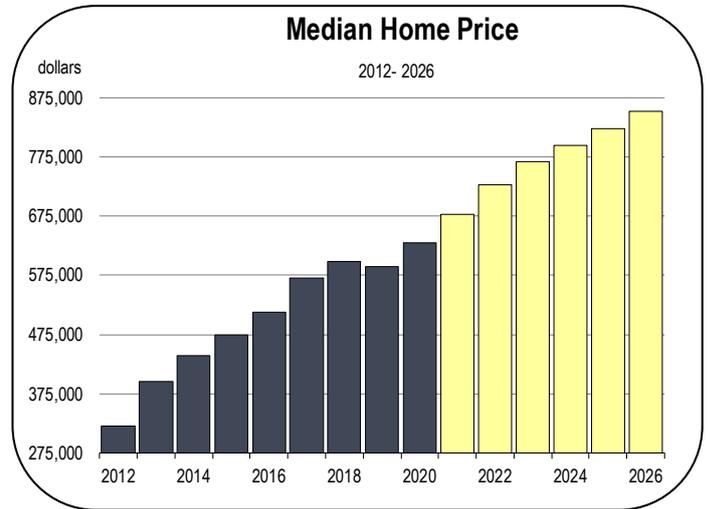
Unemployment and Inflation Rates

- The unemployment rate in Sonoma County averaged 7.9 percent in 2020, which similar to the composite rate for the Bay Area.
- An unemployment rate below 4.0 percent signifies a fully employed workforce in Sonoma County.
- The unemployment rate is expected to average 5.1 percent in 2021 and 3.5 percent in 2022.



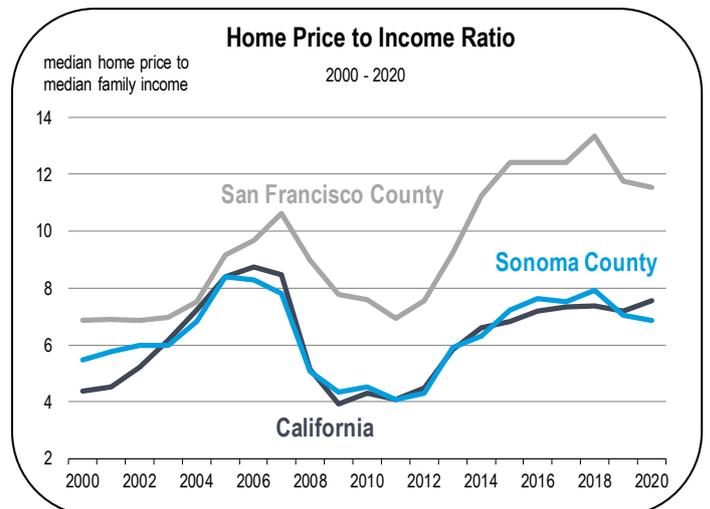
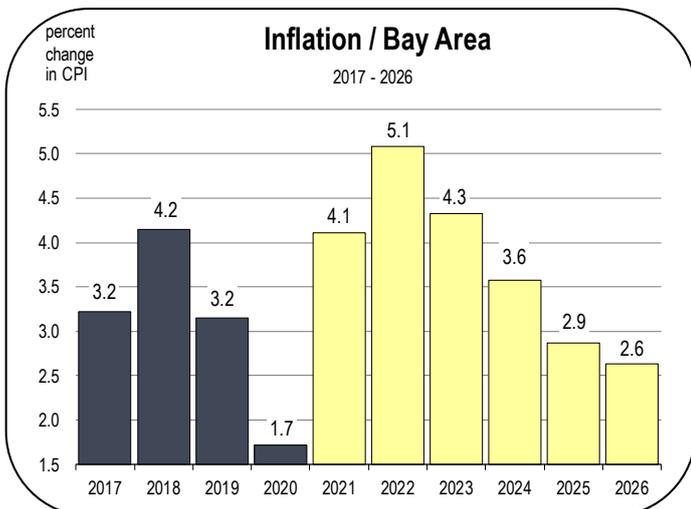
Sonoma County Economic Forecast

- Inflation decelerated sharply in 2020 as energy prices declined and apartment rents increased at slower rates.
- Inflation decelerated sharply in 2020, largely because energy prices declined when the demand for fuels plunged.
- Inflation soared in 2021 and is expected to remain elevated for several years.
- Over the forecast period, there will be a number of factors that will contribute to high inflation. The most prominent will be:
 - Record levels of spending by consumers and government agencies
 - Fractures in the global supply chain that raise the cost of production for many businesses
 - Sharp increases in the cost of housing and energy
 - Labor market recruitment challenges that force companies to raise wages
- Combined, these factors will push inflation to its highest rates in 30 years. Ultimately, it will reduce the purchasing power of households and negatively impact consumer confidence, limiting the growth potential of the economy in 2022.
- However, inflation will begin to decelerate as supply chains and the labor force are restored by the second half of the forecast period, eventually falling below 3 percent.

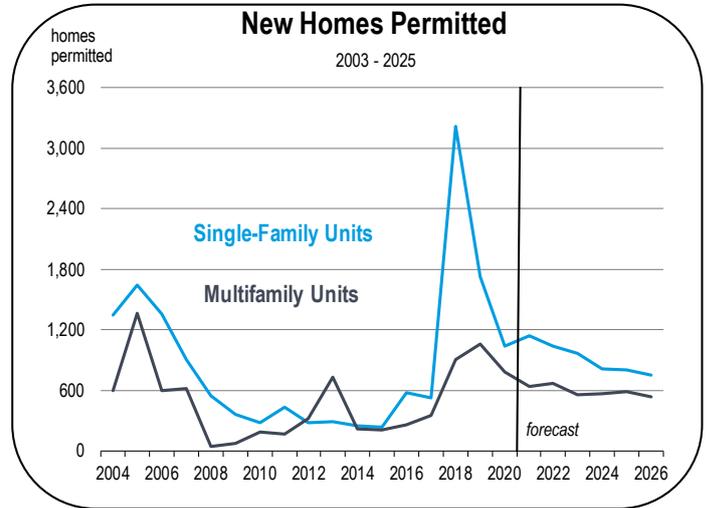
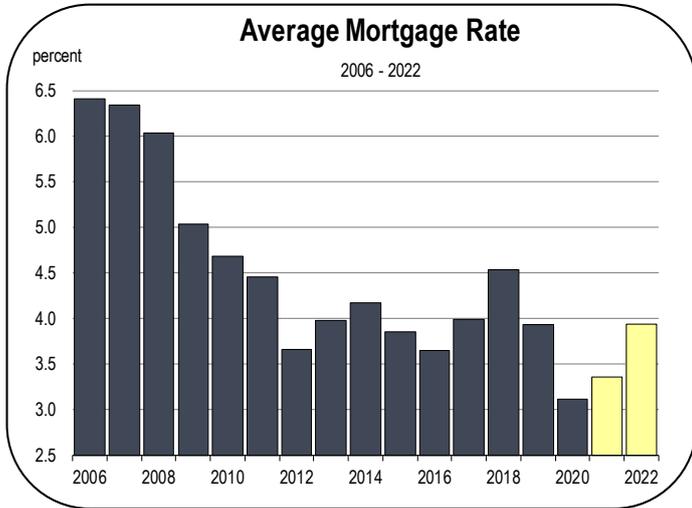


Home Prices and New Housing Production

- In 2020 the median home price in Sonoma County was \$630,600.
- Homes in Sonoma County cost approximately half as much as homes in San Francisco or Marin County, and are substantially cheaper than the East Bay.
- In 2020, the typical family in Sonoma County would have needed to spend 30 percent of its income to afford the median priced home, which is well within most affordability guidelines.



Sonoma County Economic Forecast



- In San Francisco and other parts of the Bay Area, families often spend more than 50 percent of income on mortgage payments or rent.
- From 2015 to 2020, an average of 1,600 new homes were started per year in Sonoma County. Approximately 75 percent were single-family homes, and most during 2018 and 2019 were fire rebuilds.
- Housing production is expected to average 1,500 homes per year from 2021 to 2026, consisting primarily of single-family homes.

- Sufficient housing construction is needed to prevent the type of affordability crisis that has been observed in other parts of the Bay Area.
- If actual housing production falls short of the forecasted total, problems with affordability could materialize.
- Interest rates and home prices are expected to rise in 2021 and 2022.



Housing Construction in Santa Rosa

Sonoma County Economic Forecast

Economic Indicators

2015-2020 History, 2021-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (millions)	Inflation Rate (percent)
2015	497,086	188.6	1,677	442	522	\$27.8	\$6.1	\$8.8	\$5.8	\$64,826	4.5	\$889	2.6
2016	498,903	189.3	782	841	535	\$28.8	\$6.3	\$9.1	\$5.9	\$65,120	4.0	\$1,012	3.0
2017	498,315	190.0	-1,110	876	532	\$30.2	\$6.6	\$9.5	\$5.9	\$66,068	3.4	\$976	3.2
2018	494,419	186.3	-4,234	4,119	534	\$31.6	\$7.0	\$10.0	\$5.9	\$67,193	2.8	\$1,163	4.2
2019	490,661	187.7	-4,187	2,778	542	\$33.0	\$7.0	\$10.1	\$6.0	\$68,357	2.8	\$975	3.2
2020	486,772	188.8	-4,078	1,814	537	\$33.4	\$6.7	\$9.8	\$6.2	\$68,555	7.9	\$959	1.7
2021	484,273	189.9	-2,674	1,776	540	\$35.0	\$7.2	\$10.4	\$6.2	\$70,123	5.1	\$969	4.1
2022	482,977	192.0	-1,316	1,709	542	\$36.9	\$7.3	\$10.6	\$6.1	\$72,104	3.5	\$985	5.1
2023	482,642	193.6	-179	1,529	544	\$38.8	\$7.6	\$11.0	\$6.3	\$73,619	2.8	\$1,008	4.3
2024	482,884	195.1	583	1,382	545	\$40.7	\$7.8	\$11.3	\$6.3	\$75,114	2.7	\$1,025	3.6
2025	483,205	196.6	847	1,389	546	\$42.6	\$7.9	\$11.5	\$6.4	\$76,401	2.6	\$1,040	2.9
2026	483,551	197.9	1,043	1,292	547	\$44.5	\$8.0	\$11.6	\$6.5	\$77,632	2.6	\$1,054	2.6
2027	483,858	199.2	1,188	1,324	548	\$46.5	\$8.1	\$11.7	\$6.5	\$79,091	2.6	\$1,069	2.4
2028	484,009	200.5	1,197	1,359	549	\$48.6	\$8.2	\$11.9	\$6.6	\$80,527	2.6	\$1,083	2.5
2029	484,007	201.9	1,199	1,339	550	\$50.5	\$8.5	\$12.2	\$6.7	\$81,435	2.6	\$1,092	2.4
2030	483,855	203.2	1,200	1,307	551	\$52.4	\$8.8	\$12.7	\$6.7	\$82,443	2.6	\$1,101	2.4
2031	483,557	204.4	1,204	1,330	551	\$54.3	\$9.0	\$13.0	\$6.7	\$83,286	2.6	\$1,110	2.5
2032	483,234	205.6	1,310	1,312	552	\$56.1	\$9.3	\$13.4	\$6.8	\$83,987	2.6	\$1,116	2.4
2033	482,857	206.8	1,389	1,279	554	\$58.0	\$9.5	\$13.8	\$6.8	\$84,961	2.6	\$1,127	2.2
2034	482,290	208.0	1,346	1,100	555	\$60.0	\$9.8	\$14.1	\$6.9	\$85,794	2.6	\$1,136	2.3
2035	481,557	209.0	1,310	1,103	556	\$62.0	\$10.1	\$14.6	\$6.9	\$86,663	2.6	\$1,145	2.3
2036	480,761	210.0	1,380	1,085	557	\$64.2	\$10.5	\$15.1	\$6.9	\$87,268	2.6	\$1,150	2.3
2037	479,906	211.0	1,426	1,096	558	\$66.4	\$10.8	\$15.6	\$6.9	\$87,817	2.6	\$1,154	2.4
2038	478,962	212.0	1,456	910	560	\$68.7	\$11.2	\$16.1	\$7.0	\$88,522	2.6	\$1,160	2.3
2039	477,842	212.9	1,375	997	561	\$71.0	\$11.5	\$16.7	\$7.0	\$89,121	2.6	\$1,164	2.3
2040	476,582	213.8	1,312	1,021	562	\$73.4	\$11.9	\$17.1	\$7.0	\$89,777	2.6	\$1,169	2.2
2041	475,223	214.7	1,264	1,050	564	\$75.8	\$12.2	\$17.6	\$7.0	\$90,671	2.6	\$1,177	2.3
2042	473,786	215.6	1,230	958	565	\$78.1	\$12.5	\$18.0	\$7.1	\$91,584	2.6	\$1,185	2.2
2043	472,286	216.5	1,202	927	566	\$80.5	\$12.8	\$18.5	\$7.1	\$92,541	2.6	\$1,193	2.1
2044	470,736	217.4	1,179	904	567	\$82.8	\$13.1	\$18.9	\$7.2	\$93,609	2.6	\$1,203	2.2
2045	469,131	218.2	1,160	917	568	\$85.2	\$13.4	\$19.4	\$7.2	\$94,599	2.6	\$1,211	2.3
2046	467,483	219.0	1,145	914	568	\$87.6	\$13.8	\$19.9	\$7.3	\$95,468	2.5	\$1,217	2.3
2047	465,914	219.9	1,236	946	569	\$90.0	\$14.1	\$20.4	\$7.3	\$96,139	2.5	\$1,221	2.3
2048	464,389	220.7	1,299	842	569	\$92.6	\$14.5	\$21.0	\$7.3	\$96,729	2.5	\$1,223	2.4
2049	462,905	221.5	1,344	882	569	\$95.1	\$14.9	\$21.5	\$7.3	\$97,503	2.5	\$1,229	2.1
2050	461,452	222.3	1,377	793	569	\$97.7	\$15.3	\$22.1	\$7.3	\$98,205	2.5	\$1,233	2.1

Employment Sectors

2015-2020 History, 2021-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	203.0	6.0	11.6	22.0	4.3	31.9	8.1	20.8	2.7	32.1	24.7	31.8
2016	208.1	6.1	12.4	22.7	4.2	32.3	8.4	21.2	2.7	33.0	25.4	32.3
2017	211.7	6.1	13.1	23.0	4.0	32.5	8.8	22.1	2.7	34.1	25.7	32.3
2018	215.4	6.7	15.2	23.4	4.1	32.4	8.9	23.2	2.7	34.8	25.7	31.1
2019	215.6	6.6	16.5	23.4	4.2	31.8	8.7	23.4	2.6	35.8	25.8	29.5
2020	196.4	6.2	15.9	22.2	4.1	29.9	7.5	22.5	2.3	34.1	18.4	27.1
2021	206.5	6.3	16.0	22.7	4.2	31.4	8.4	23.7	2.4	35.2	22.1	27.4
2022	215.5	6.6	16.4	22.8	4.2	31.5	8.5	24.7	2.4	37.8	23.3	30.1
2023	217.6	6.7	15.1	22.9	4.2	31.4	8.5	25.5	2.4	38.6	24.4	30.6
2024	221.2	6.7	14.6	23.0	4.2	31.3	8.5	26.2	2.4	39.3	26.4	31.0
2025	224.9	6.7	14.5	23.1	4.2	31.2	8.6	26.9	2.4	40.0	28.2	31.3
2026	227.7	6.7	13.6	23.1	4.3	31.2	8.6	27.6	2.4	40.8	29.9	31.6
2027	230.8	6.7	13.4	23.2	4.3	31.0	8.6	28.3	2.4	41.4	31.6	31.9
2028	233.9	6.8	13.3	23.3	4.3	31.0	8.6	28.9	2.4	42.0	33.1	32.1
2029	236.6	6.8	13.0	23.3	4.3	31.0	8.6	29.5	2.4	42.5	34.5	32.4
2030	239.4	6.8	12.8	23.3	4.3	31.1	8.7	30.1	2.4	43.1	35.7	32.6
2031	241.1	6.8	12.2	23.3	4.3	31.1	8.7	30.7	2.4	43.5	36.7	32.8
2032	243.0	6.8	11.9	23.3	4.3	31.1	8.7	31.3	2.4	43.9	37.5	33.0
2033	244.7	6.8	11.7	23.4	4.3	31.2	8.7	31.8	2.4	44.3	38.1	33.2
2034	246.1	6.8	11.3	23.4	4.3	31.3	8.8	32.4	2.4	44.6	38.6	33.3
2035	247.7	6.9	11.2	23.4	4.3	31.4	8.8	32.9	2.4	45.1	38.9	33.4
2036	249.2	6.9	11.1	23.4	4.3	31.5	8.8	33.4	2.4	45.5	39.3	33.5
2037	250.5	6.9	11.1	23.4	4.3	31.6	8.8	33.9	2.4	45.7	39.6	33.6
2038	251.8	6.9	11.0	23.5	4.3	31.7	8.7	34.4	2.4	46.0	40.0	33.7
2039	252.9	6.9	11.0	23.5	4.3	31.8	8.7	34.8	2.4	46.1	40.3	33.8
2040	254.1	6.9	11.0	23.5	4.3	31.8	8.7	35.3	2.3	46.3	40.6	33.9
2041	255.3	7.0	11.1	23.5	4.3	31.9	8.8	35.7	2.3	46.4	40.9	34.0
2042	256.3	7.0	11.1	23.5	4.3	31.9	8.8	36.2	2.3	46.5	41.2	34.0
2043	257.4	7.0	11.0	23.6	4.2	32.0	8.8	36.6	2.3	46.7	41.6	34.1
2044	258.6	7.0	11.0	23.6	4.2	32.0	8.8	37.0	2.3	46.9	42.0	34.2
2045	259.8	7.1	10.9	23.6	4.2	32.1	8.8	37.3	2.3	47.1	42.3	34.3
2046	260.9	7.1	10.9	23.6	4.2	32.1	8.8	37.7	2.3	47.3	42.6	34.3
2047	261.9	7.1	10.9	23.6	4.2	32.2	8.8	38.1	2.3	47.5	42.9	34.4
2048	262.8	7.1	10.9	23.6	4.2	32.2	8.8	38.4	2.3	47.7	43.2	34.4
2049	263.7	7.1	10.9	23.7	4.2	32.3	8.8	38.8	2.3	47.9	43.5	34.4
2050	264.5	7.1	10.8	23.7	4.2	32.4	8.8	39.1	2.3	48.1	43.7	34.4

Sonoma County Economic Forecast

Socioeconomic Indicators

